MCI Telecommunications
Corporation
1801 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

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September 27, 1995

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network, CC Docket No. 95-115; Notice of Proposed Rulemaking

Dear Mr. Caton:

Enclosed herewith for filing are the original and nine (9) copies of MCI Telecommunications Corporation's Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman
Regulatory Analyst

Enclosure
DHS

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of:	)	
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Amendment of the Commission's	)	
Rules and Policies to Increase	)	CC Docket No. 95-115
Subscribership and Usage of the	)	
Public Switched Network	)	
	)	
Notice of Proposed Rulemaking	)	

MCI COMMENTS

Don Sussman
Regulatory Analyst
1801 Pennsylvania Ave., NW
Washington, DC 20006

September 27, 1995

SUMMARY

In an attempt to increase subscribership from today's's level of 93.9 percent, the Commission has issued a Notice of Proposed Rulemaking ("Notice") aimed at developing "narrowly targeted," "cost-effective" solutions which can work to reduce obstacles that prevent those who want telephone service from being able to afford it. In the Notice, the Commission suggests that subscribership levels would increase among populations with low income levels if local exchange carriers were prohibited from disconnecting local service to customers who failed to pay long distance charges.

MCI commends the Commission for initiating the instant proceeding and for its concern that society not develop into one of information "haves" and "have nots." However, MCI advocates that public policies designed to increase subscribership should focus on how to create conditions that produce a wide variety of products and services that today's nonsubscribers will find useful. Rather than establishing new funds or federally mandated policies that have proven to increase the cost of providing telecommunications services, policymakers need to focus on universal service reform and promoting competition in local telecommunications access markets. Competition has proven to be an effective tool in increasing the utility of telecommunications services in other markets (e.g., the interexchange and customer premises equipment markets); there is no telling what effect competition in local

telecommunications markets will have on how useful people will perceive phone service to be.

While MCI is opposed to the Commission prohibiting the disconnection of local telephone service for failure to pay long distance charges, MCI agrees that the Commission has an important role in increasing subscribership levels. First, it should take action to ensure that existing federal policies (e.g. Lifeline and Link-Up) are reaching the targeted population. Second, the Commission should utilize its forum as a "bully-pulpit" to make sure that all people fully understand the benefits and utility of existing telecommunications services. By so doing, the Commission could increase subscribership to targeted audiences, without increasing the cost of providing telecommunications services.

TABLE OF CONTENTS

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of:	)	
	)	
Amendment of the Commission's	)	
Rules and Policies to Increase	)	**CC Docket No. 95-115**
Subscribership and Usage of the	)	
Public Switched Network	)	
	)	
Notice of Proposed Rulemaking	)	

MCI COMMENTS

I. Introduction

MCI Telecommunications Corporation ("MCI") respectfully submits its Comments regarding the above-mentioned Notice of Proposed Rulemaking ("Notice"), released July 20, 1995.[1] In the Notice, the Commission requested comment on various proposals to increase subscribership, alternative techniques for measuring subscribership, methods for increasing consumer awareness of programs which help reduce telephone rates (e.g., Lifeline and Link-Up), and whether the Commission has legal authority to implement the particular proposals contained within the Notice.

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[1] Amendment of the Commission's Rules and Polices to Increase Subscribership and Usage of the Public Switched Network, CC Docket No. 95-115 (FCC No. 95-281) Notice of Proposed Rulemaking ("Notice"), (released July 20, 1995).

MCI commends the Commission for initiating the instant proceeding aimed at promoting subscribership levels nationwide. MCI agrees with the Commission that it is in the public interest for federal, state, and local government agencies, as well as for the private sector, to implement narrowly targeted, well-focused programs aimed at increasing subscribership levels to ensure that society does become one of information "haves" and "have nots." These programs, coupled with the emergence of effective competition in local telecommunications markets and the emergence of new wireless and cable television technologies, should increase subscribership levels in a broadly-based, cost-effective manner.

While the states have long been leaders in promoting the universal availability of telephone services, primarily because the issue involves the availability of local services, the Commission also has an important role to play. The Commission has already initiated federal assistance programs (i.e., Link-Up and Lifeline), reformed interstate access, and implemented pro-competitive policies in the long-distance markets which have dramatically reduced the price of long distance calls. In MCI's view, the problem of how to increase subscribership, particularly among low income households, revolves around the issue of increasing the utility of the telephone sufficiently to cause nonsubscribers to subscribe.

Average Lifeline rates in 1993 were between $3 and $10 per month for unlimited service (including SLC and tax). Connection charges are heavily subsidized for qualifying Link-Up programs. What is missing are products and services that lure nonsubscribers to the network. MCI advocates that public policies designed to increase subscribership should focus on how to create conditions that produce a wide variety of products and services that today's nonsubscribers will find useful. Thus, policymakers need to focus on universal service reform and promoting competition in local telecommunications access markets.

With respect to universal service, the Commission needs to ensure that new entrants will not be locked out of areas receiving subsidies. Other barriers to entry must also be eliminated, such as the absence of local number portability and the availability of unbundled interconnection at cost-based rates. Competition will maximize products and services that will attract those presently "off" the public network to the public network, in ways that are impossible to predict today. MCI opposes additional subsidies, since this approach is not likely to increase the utility or desirability of telephone service for those now "off" the network.

In an attempt to increase subscribership from today's level of 93.9 percent, the Commission has suggested in its Notice of Proposed Rulemaking that subscribership levels would increase if local exchange carriers were prohibited from disconnecting local service to customers who failed to pay long distance charges. MCI opposes this recommendation for several reasons. First, the Commission has no compelling evidence that demonstrates that such a policy would increase subscribership. Second, evidence exists that demonstrates that prohibiting disconnection of local service would significantly increase the cost of providing telecommunications services. Finally, MCI opposes the Commission's proposal to prohibit the disconnection of local service for failure to pay long distance charges because the Commission does not have the legal authority to mandate its suggest policy. Disconnection of local services is an issue under the jurisdiction of the states.

II. Promoting Pro-Competitive Policies Is The Best Method of Increasing Subscribership

In the aggregate, the Commission's prior decisions have contributed toward its goal of universally available telecommunications services at affordable rates. Between November 1983 and March 1995, the number of households with telephones in the United States increased by nearly 20 percent, from 78.4 million to 93.8 million. During this period, the percentage of households with telephones also increased, from 91.4 percent to 93.9 percent. By March 1995, the percentage of the U.S. population with telephones available to them had reached 95.2 percent, up from 93.7 percent in November 1983. Subscribership levels continue to increase in the United States (over the long term), to levels that are the highest in the world.

While there are still people off the network (especially low-income households), these people have made choices to stay off the network for many reasons.[2] These reasons include, but are not limited to, high mobility, lack of perceived utility (e.g., chronically unemployed), lack of awareness of low cost services, the myth of large deposit requirements, and the spending of discretionary income on items of greater gratification (e.g., television sets and cable television services).[3] The solution to attracting those off the network to the network is most likely to be in allowing competition to flourish. Competition will lead to discovering cost-effective, affordable new services that attract people to the network.

The benefits of effective competition have been clearly demonstrated in the interexchange and customer premises equipment ("CPE") markets. For example, prompted by the pressures of competition, many IXCs have introduced innovative calling plans with reduced rates for residential customers and businesses of all sizes. Also, many new services, such as the use of 800 numbers and calling cards, have been introduced and grown tremendously. Competition in the interexchange markets has also contributed to the development and deployment of new technologies, such as fiber optics. Likewise, the introduction of competition into CPE markets has contributed to the

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[2] In the Notice, issued July 20, 1995, the Commission states that a "100 percent penetration level is not possible." According to the Commission, this is because "[t]here are individuals who make an informed choice not to be connected to the network." Notice at 17.

[3] According to the Electronic Industries Association, 97 percent of U.S. households have color television sets.

rapidly increasing rate of innovation in both residential and business CPE markets. For example, competition has spurred an increased range of customer choices in telephone handsets, answering machines, key telephone systems, private branch exchange equipment, facsimile machines, voice mail equipment, modems and other data communications equipment.

Competition in the interexchange and CPE markets have dramatically increased the utility of telephone services to a wide range of customers. There is no telling what effect competition in local telecommunications markets will have on how useful people will perceive phone service to be.

Before the Commission takes steps that would interfere in the marketplace, it must have evidence that clearly demonstrates why people select not to subscribe to telephone service. Presently, only speculations have been made. However, in the meantime, the Commission should take two steps. First, it should take action to ensure that existing federal policies (e.g. Lifeline and Link-Up) are reaching the targeted population. For example, the Commission should ensure that the public is educated about the existence of federal assistance programs. Second, the Commission should utilize its forum as a "bully-pulpit" to make sure that all people fully understand the benefits and utility of existing telecommunications services. By so doing, the Commission could increase subscribership to targeted audiences, without increasing the cost of providing telecommunications services.

III. The FCC Lacks Jurisdiction over Local Service Disconnection

The Commission acknowledges that when it deregulated interstate billing and collection (B&C) and preempted state regulation of the rates LECs charge for B&C in 1986, it deferred to state regulatory authorities with respect to the practice of disconnecting local service for non-payment of interstate charges ("DNP"), noting that it did so for practical reasons. The switch technology available at that time did not permit LECs to disconnect interstate service without disconnecting local service as well.[4] Now, switching technology has advanced to the point where selective blocking of long distance calls or the provision of local but not interstate services is quite feasible. Thus, local service need not be disconnected when interstate service is cut off. The Commission concludes that it is therefore reasonable to delink local and interstate disconnection and that there are, in fact, sound policy reasons to prohibit local service disconnection for the nonpayment of interstate charges. The Commission points out that such prohibition will increase telephone subscribership.

Jurisdictionally, the Commission asserts that "[b]asic telephone service" has both interstate and intrastate components. "Indeed, the two are inseparable. Disconnection of local telephone service and dialtone by a LEC prevents both the initiation of interstate calls and the receipt of interstate calls."[5] The

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[4] Detariffing of Billing and Collection Services, CC Docket No. 85-88, 102 FCC 2d 1150 (1986) (Detariffing Order), recon. denied, 1 FCC Rcd 445 (1986).

[5] Notice at ¶ 32.

Commission asserts that in refusing to reconsider, in 1989, its prior preemption of state regulation of B&C rates, including the rates charged for DNP, it concluded that it has authority to regulate disconnection of local service for nonpayment of interstate charges, based on the finding that interstate service cannot take place without having a telephone connected to the public network.[6] The Commission concludes that its broad jurisdiction over all "interstate communication"[7] covers the terms and conditions on which interstate service is disconnected and that LEC disconnection of service implicates the Commission's ability to carry out its universal service objectives, citing 47 U.S.C. § 151.

In fact, the Commission has it backwards. It is the technical ability to separate interstate DNP from local DNP that breaks the Commission's jurisdictional hold over local DNP. The Commission has confused the technical ability to allow interstate DNP while prohibiting local DNP with its authority over the different aspects of DNP. Since a separate policy over local and interstate DNP is now technically possible, the Commission's jurisdiction does not extend beyond interstate DNP. It therefore may not prohibit local service disconnection for any reason, including nonpayment of interstate charges.

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[6] Public Service Commission of Maryland, 4 FCC Rcd 4000, 4006 (1989) (Maryland PSC Order), pet. for review denied, Public Service Comm'n of Maryland v. FCC, 909 F.2d 1510 (D.C. Cir. 1990).

[7] 47 U.S.C. § 152(a).

A. The Commission and the Courts Have Based Federal Jurisdiction Over Intrastate Aspects of DNP on the Previous Technical Infeasiblity of Disconnecting Interstate Service Without Disconnecting Local Service

The Commission's account of its previous analysis of this issue is somewhat truncated. In refusing to reconsider its previous preemption of state regulation of B&C rates, including DNP rates, the Commission explained in the Maryland PSC Order as follows:

> The record in the proceeding that led to the *Detariffing Order* indicates that disconnection of interstate service without simultaneously disconnecting local service is infeasible in most instances. In these circumstances, it is our view that we have the authority to preempt state regulation of the terms and conditions under which DNP will be allowed to take place, as distinguished from the charges applied to it, on the ground that it is "not possible to separate the interstate and the intrastate components of the asserted FCC regulation." Instead of exerting our preemptive power to the fullest extent of our jurisdiction, however, we have, in the *Detariffing Order*, deferred to the states, allowing them to decide whether and under what circumstances LECs will be allowed to offer DNP service to interstate carriers.[8]

Thus, it was the technical inability to separate interstate and intrastate DNP that made it impossible to separate the interstate and intrastate components of the Commission's regulation of DNP, citing Louisiana Public Service Comm'n v. FCC, 476 U.S. 355 (1986).

The Commission's preemption in the Maryland PSC Order was upheld on the same basis in Public Service Commission of Maryland v. FCC, 909 F.2d 1510 (D.C. Cir. 1990) (Maryland PSC). In discussing the issue of whether

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[8] 4 FCC Rcd at 4006.

regulation of interstate DNP can be separated from regulation of intrastate DNP, the Court stated:

> The Maryland PSC suggests that it may be possible technologically to cut off interstate access independent of local service. It claims that the FCC's preemptive order is consequently overbroad, for "the FCC must limit its regulation to the interstate aspects if it can do so."... At the time it issued the *Detariffing Order*, the FCC believed that such a separation was not practical. The Maryland PSC has not introduced any evidence in its own proceedings or before the FCC to cast doubt on this finding. And where the state has not suggested a means to unbundle the interstate and intrastate components of a matter, "we have no basis to quarrel with the FCC's contention that no order could have accommodated both the local and federal regulatory interests." If the Maryland PSC should produce such evidence, that would present a different case.[9]

Thus, the entire legal basis for the Commission's jurisdiction over local DNP was the technical inseparability of local and interstate DNP. Accordingly, if it became feasible to disconnect interstate service without disconnecting local service, "that would present a different case." It is now feasible to do so, and the Commission thus is able to "'limit its regulation to the interstate aspects'" of DNP. It accordingly "'must'" limit its regulation to interstate DNP, whether or not it wishes to be so constrained.[10]

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[9] 909 F.2d at 1516-17 (citations omitted).

[10] Id.

B. The Commission's Suggested Rationale for its Continuing Jurisdiction Over Local DNP Would Sweep All Aspects of Local Service Within the Commission's Authority

The Commission suggests in the Notice, however, that, in spite of its prior analysis and the court's rationale, it retains jurisdiction over local DNP because disconnection of local service automatically cuts off all service, interstate as well as intrastate.[11] Of course, disconnection of local service has always inherently meant a disconnection of all service. In the Maryland PSC Order, however, the Commission did not say that, since the intrastate and interstate aspects of DNP were inextricably linked, it would always have jurisdiction over all aspects of DNP. Rather, the Commission stated that "disconnection of interstate service without simultaneously disconnecting local service is infeasible," and that "[i]n these circumstances," it had the authority to preempt state regulation of DNP. That discussion would have been irrelevant and superfluous if the Commission had taken the position that it could preempt state regulation of DNP in all circumstances, since local disconnection always carries with it interstate disconnection.

Moreover, the Commission's proposed rationale proves too much. If the interstate disconnection that automatically accompanies local disconnection makes local disconnection a federal matter, then everything that affects the level of local telephone service penetration becomes a federal matter. Under the

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[11] Notice at ¶ 32.

same rationale, the Commission could preempt such overwhelmingly intrastate matters as local and intrastate toll service rates and local disconnection for the nonpayment of local charges. There would clearly be no justification for such a vast expansion of the Commission's jurisdiction. There is no logical stopping place between the Commission's proposed jurisdictional rationale in the Notice and these other hypothetical assertions of federal authority over local service. The Commission therefore could not rest an assertion of authority over intrastate DNP on the fact that disconnection of local service cuts off incoming interstate calls.

Finally, the fact that disconnection of local service automatically disconnects interstate service "does not, by itself, justify pre-emption unless that inseparability also prevents the FCC from separating its regulation into interstate and intrastate components."[12] Here, as discussed above, since it is technically possible to disconnect interstate service without disconnecting local service, it is possible to separate the regulation of DNP into interstate and intrastate components. That local service disconnection necessarily disconnects all service thus does not preclude separate regulatory treatment of local and interstate DNP. The Commission must therefore narrow its regulation to limit

[12] Public Utility Commission of Texas v. FCC, 866 F.2d 1325, 1334 (D.C. Cir. 1989) (FCC preemption of state PUC order prohibiting one LEC from providing service to a customer served by another LEC was justified by inability to separate interstate from intrastate calls carried over such local interconnections only where such inability prevented the FCC from separating regulation into interstate and intrastate components).

itself to the federal aspects of DNP and to accommodate both local and federal interests.[13] It must be concluded that the Commission may not prohibit the disconnection of local service for nonpayment of interstate charges.

IV. Prohibiting the Disconnection of Local Service for Failure to Pay Long Distance Charges Is Not a Cost-Effective Solution

While MCI is sympathetic to the concerns of the Commission and supports the Commission's goal of developing "narrowly targeted," "cost-effective" solutions, MCI does not agree that the Commission's suggested policy of prohibiting the disconnection of local telephone service for failure to pay long distance service is either a narrowly-targeted nor a cost-effective solution for increasing subscribership. To the contrary, the Commission's proposal could impose significant costs on the entire telecommunications industry, slow the development of competition in all telecommunications markets, and possibly lead to increased rates charged to end users and access customers.

MCI's payment policies reflect the reality that occasionally customers have difficulties in meeting their financial obligations. MCI has approved LEC practices and procedures to assist its customers in resolving their difficulties in paying their bills. MCI is not interested in penalizing the customer who is having trouble meeting a monthly payment. Payment arrangements can and are made if a customer is delinquent in his/her bill due to temporary financial problems.

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[13] Id.; Maryland PSC, 909 F. 2d at 1516-17.

Additionally, customers have the opportunity to protest and correct billing errors, an option customers often exercise to question charges they believe to be in error.[14] Under these circumstances MCI not only does not request disconnection of a customer's service where payment of the non-disputed portion is made, but frequently credits customers accounts where appropriate. Less than 1 percent of MCI's customers have been disconnected for failure to pay the undisputed portion of their long distance charges.

Disconnection of local telephone service, while proven an effective tool to combat toll-fraud, and which materially assists in holding down the amount of uncollectibles, is used sparingly by telecommunications service providers. While information is not available on a national basis, according to the Texas Telephone Association, ("TTA") less than two percent of customers are disconnected industry-wide, with almost three-quarters of these customers being re-connected within a month.[15] MCI has no reason to believe that the percentages vary dramatically nationwide.

The prospect of disconnection of services provides a substantial incentive for subscribers to pay undisputed portions of their telephone bills, whether for local or long distance charges. Subscribers should not be allowed the option of

[14] Customers may also seek a billing adjustment for other reasons, i.e., if they are unhappy with the quality of service received.

[15] Discontinuance of Service, Docket No. 12334, Public Utility Commission of Texas, Letter of TTA to Mr. John Renfrow, filed November 2, 1994 (see attached).

simply not paying for services knowingly obtained. MCI believes that a prohibition against disconnecting local services for failure to pay portions of the accrued charges would send the wrong signals to subscribers, providing disincentives for payment of charges knowingly incurred and likely inviting abuse of IXCs' services.

Based on MCI's experience, in states where disconnection of local service is prohibited, uncollectibles have increased significantly. For example, in comparing the states in which Bell Atlantic performed billing and collection for MCI between March 1994 and April 1995,[16] MCI's uncollectibles increased the most in Pennsylvania (which prohibits local disconnect). In fact, MCI's bad debt percentage in Pennsylvania is more than double that of any other state in which Bell Atlantic performs billing and collection for MCI.

The increase in uncollectibles where local disconnection is prohibited is not limited to MCI. In New York, which also prohibits local disconnection, the three largest IXCs experienced increases in uncollectibles ranging from 1.63 percent to 2.28 percent (see attached affidavits). In Texas, where the Public Utility Commission recently considered, but did not adopt,[17] such a prohibition, the three largest IXCs estimated that the annual incremental increase in net bad debt expense would reach $45 million. According to local exchange and

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[16] This period represents MCI's most current data.

[17] Withdrawn Rules, January 24, 1995, 20 TexReg 331, 16 TAC Sec. 23.42, 23.43, 23.46.

interexchange carrier estimates filed with the Public Utility Commission of Texas, the cost of prohibiting local disconnection of service would cost the industry, in the state of Texas alone, between $134 million and $179 million during the first year of implementation.[18] If such a policy were implemented nationally, the cost imposed on local exchange carriers and IXCs would be enormous.

In the Notice, the Commission tentatively concludes that Pennsylvania's high level of subscribership is a direct result of its prohibition of disconnection of local service to those who fail to pay long distance charges.[19] However, as the Commission elsewhere recognizes, many factors, other than policies aimed at promoting subscribership, significantly influence penetration levels. For example, the Commission specifically cites the importance of demographic, economic, and political forces.[20] However, in its analysis of Pennsylvania's subscribership level, the Commission summarily ignores the influence of these "other" factors, which itself has determined to be significant.

In 1984, the year before Pennsylvania implemented its "no disconnect" rule, Pennsylvania had a subscribership level of 94.9 percent.[21] Between 1983 and 1994 subscribership in Pennsylvania increased only 2.2 percent.

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[18] See Discontinuance of Service, Docket No. 12334, Public Utility Commission of Texas, Letter of SWBT to Mr. John Renfrow, filed November 29, 1994.

[19] Notice at ¶¶ 11 and 30.

[20] Notice at 1.

[21] Notice at n. 10.

Meanwhile, during the same period subscribership increased nationwide by 2.5 percent. Pennsylvania's high subscribership today stems from historically high penetration levels, not from a change in policy that prohibited the disconnection of local service for failure to pay long distance charges. Only the increase in the cost of providing telecommunications services in Pennsylvania can be attributed to the adoption of such a policy.

As is evident by the table below, the ten states which have increased subscribership levels the most between 1984 and 1994 do not prohibit the disconnection of local service.

State	1984	1994	Change	Local Disconnect
Arizona	86.9	93.9	8.1%	Yes
New Mexico	82.0	88.3	7.7%	Yes
Mississippi	82.4	88.6	7.5%	Yes
S. Carolina	83.7	89.4	6.8%	Yes
Alaska	86.5	91.8	6.1%	Yes
Oregon	90.6	96.1	6.1%	Yes
Georgia	86.2	91.1	5.7%	Yes
Florida	88.7	93.5	5.4%	Yes
Tennessee	88.5	93.1	5.2%	Yes
N. Carolina	88.3	92.6	4.9%	Yes

Furthermore, seven out of ten states with increases of at least 9 percentage points in penetration between 1984 and 1983 for households at the poverty level allow local exchange carriers to disconnect local service from customers who fail to pay long distance charges.[22]

[22] States with increases of at least 9 percentage points in penetration between 1984 and 19993 for households at the poverty level are Connecticut, Georgia, Hawaii, Michigan, Nevada, New Mexico, North Carolina, South Carolina,

Even if a thorough investigation into the causes of Pennsylvania's high subscribership level leads to the conclusion that its policy on "no disconnect" is the main catalyst for success, there is no evidence that demonstrates that a policy which has proven effective in one state would benefit other states with different economic, demographic, and political conditions. As argued supra, all that has been shown is that prohibiting the disconnection of local service for failure to pay long distance charges would increase the cost of providing telecommunications services (i.e., uncollectibles) significantly, in all parts of the country.

Prohibiting the disconnection of local service to those customers who do not pay their long distance charges could cause paying customers to subsidize non-paying customers. Such a prohibition would benefit only non-paying customers and would raise uncollectible expenses that would have to be borne by the entire body of paying customers.

The Commission's stated goal is to develop narrowly-targeted, cost-effective solutions to a problem that is caused and influenced by many factors. These factors are not consistent among all states. The most narrowly targeted cost-effective solution is, therefore, to allow the states to implement solutions which are designed to meet the conditions unique to each state.

Tennessee, Vermont, Washington, and Wyoming. Schement, Belinfante, and Povich, Telephone Penetration 1984 - 1994, January 18, 1995, at 3. Of these, only Hawaii, Nevada and Wyoming prohibit disconnection of local service for failure to pay long distance charges.

V. The Commission's Proposed Blocking Is Not a Cost-Effective Solution

The Commission proposes that, in conjunction with its "no disconnect policy," all LECs should provide low-cost blocking services. Specifically, the Commission proposes that, rather than disconnecting a customer for not paying his or her long distance charges, these customers could simply be blocked from placing additional toll calls until all charges are paid. The Commission also contends that offering customers the ability to block calls would prevent some customers from incurring excessive telephone bills in the first place. This would prevent some customers from being disconnected because of their inability to pay.

MCI believes that blocking access to long distance calls is not the solution to resolving the problem of non-payment. In today's world, long distance service, in many cases, is just as important to a customer as is local service. For example, with many families separated by hundreds or thousands of miles, in cases of emergency long distance may be just as much a necessity as is local service.

Equally important are the costs which telecommunications providers would incur if required to provide either selective or global blocking. Contrary to the Commission's assumption that blocking services are available at low cost,[23] many local exchange companies are not currently technically capable of blocking

[23] Notice at 8.

only access to long distance service and will likely have to make costly central office upgrades or utilize scarce switch capacity to accommodate such a requirement.[24] Such costly upgrades could significantly slow the development of competition in local telecommunications markets because new, small entrants would have even higher up-front costs acting as barriers to entry. These added costs could also place upward pressure on the rates LECs charge their end users and their access customers.

Interexchange carriers have market-based incentives to cooperate with customers to ensure that they are satisfied with the service provided. The ability to disconnect local service is an essential tool for common carriers to control fraudulent abuses of the public network, by a very small segment of all end users. It is an option that has been, and will continue to be, utilized only as a "last resort."

VI. Conclusion

MCI advocates that public policies designed to increase subscribership should focus on how to create conditions that produce a wide variety of products and services that today's nonsubscribers will find useful. Increasing the level of utility will maximize products and services that will attract those presently "off"

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[24] See attached General Counsel's Inquiry Into Questions Regarding Disconnection of Local Telephone Service, AT&T's Initial Comments, Public Utility Commission of Texas, Project 12334, August 15, 1994.